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February 27, 1991

Mr. Lowell Braxton
Division of Oil, Gas and Mining
355 West North Temple
Salt Lake City, Utah 84180-1203

Re: Permitting and Surety for the Aragonite Mill and Mine
Sites, Docket No. 90-051, Cause No. M/045/031, Tooele
County, Utah

Dear Mr. Braxton:

I have reviewed the letter of February 19, 1991, with Lon Thomas, President of Thomas American Stone ("American Stone"). Mr. Thomas has requested that I respond.

The Division has required that American Stone post a \$67,200 reclamation surety. Thomas American Stone cannot post such a large surety. It has every desire to comply with the law and regulations applicable to its operations. However, American Stone is a decorative stone operation which simply does not have any where near the resources to post such a surety. However, Thomas American Stone believes that it can enter into an agreement and surety which fully satisfies the public interest and the laws involved. In this spirit, we propose the following:

1. American Stone accepts the acreage measurements set forth in your letter: 14 acres of disturbance at the mill site and 8.4 acres at the mine site. American Stone does contend that approximately 4 acres at the mine site is disturbance which was totally done by previous owners, but will waive that argument and will accept reclamation responsibility for all 8.4 acres if an agreement can be made, as set forth below.
2. American Stone will agree to immediately post all hazards at the mine site as required by the Division. American Stone will also take other reasonable steps as required by the Division concerning other specific public safety concerns.
3. American Stone will immediately cease and desist all mining operations at the mine site outside of a five acre area which will be clearly delineated and marked. (Actually, American Stone's mining operations have been within five acres in the

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past; most of the other areas of disturbance are from previous owners.) American Stone will also immediately cease and desist all milling operations outside of a five acre area around the mill. Again this area will be clearly defined and marked.

4. American Stone will agree in writing and will immediately commence to reclaim all disturbed areas outside of the five acres at the mine and five acres at the mill as described above. American Stone will need to work out the details of this reclamation plan with the Division, but would understand that it would probably take several years to complete the reclamation. On the mill site, part of the reclamation would include the removal of ore stockpiles which are currently outside the five acres. All new ore would be stockpiled within the five acres. American Stone has the equipment and ability to conduct reclamation work with the expertise of the Division assisting with the planning and implementation. In the details of such a reclamation plan, American Stone will agree to devote the resources, time and expenses necessary to reclaim the acreage outside of the five acre areas on a schedule to be agreed upon with the Division.

5. American Stone will obtain two small mining operations permits for the mine and for the mill site and will agree to a reclamation plan for each five acres area in accordance with the small mining operations laws and regulations. The five acres would be reclaimed at the termination of the mining activities as required under the rules and regulations.

6. American Stone will post a cash bond in the amount of \$5,000 as a good faith surety of its compliance with this agreement. I understand this is significantly lower than the \$67,200 the Division has required, but given American Stone's financial condition, it is a significant commitment and sacrifice. This surety would be held for all the reclamation work outside of the five acres at the mine and five acres at the mill, the area which American Stone will agree to immediately reclaim, and as surety for its promise to cease and desist all mining operations outside of those limits.

I believe that this proposal is in the best interests of all parties involved and should be acceptable to the Board. The purpose of the Mined Land Reclamation statute "is to provide that all mining in the state shall include plans for reclamation of the land affected." U.C.A. §40-8-3. The legislature specifically allowed small mining operations to conduct their operations without posting a surety. U.C.A. §40-8-14(1). American Stone will comply fully with the small mining operations

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requirements and agree to and immediately commence reclamation on all acreage outside the five acres.

If the Board and the Division are willing to work with American Stone, a small, but viable, Utah business will be able to continue operations. If it can continue operations it will be able to spend money, time and effort reclaiming the property. If it is forced out of business, it will not have a source of income from which to fund reclamation efforts. Unfortunately, a surety in the amount of \$67,000 will, without question, force American Stone to abandon its operations. American Stone cannot afford to post a larger bond than it is proposing and pay for reclamation at the same time. The very extensive litigation with Mr. Richard W. White in which American Stone has been engaged has stressed American Stone's finances to the limit.

The purposes of the laws will be fully satisfied, at American Stone's expense, if American Stone is allowed to follow this proposal. If the full bond asked for in your letter is required, it is unfortunate, but a fact nonetheless, that the taxpayers will probably end up paying the reclamation because American Stone will be out of business and unable to perform.

The laws passed by the legislature do not put a specific limit on the amount of the bond. Rather, the law states:

In determining the form of surety to be provided by the operator, the board shall approve a method acceptable to the operator and consistent with the requirements of this chapter which may be one or a combination of but not limited to: a written contractual agreement, collateral, a bond or other form of insured guarantee, deposited securities or cash. In making this decision the board shall, with respect to the operator, consider such factors as his financial status, his assets within the state, his past performance on contractual agreements, and his facilities available to carry out the planned work.

U.C.A. § 40-8-14 (1990 Supp.) We believe that a plan like the one proposed above satisfies these requirements.

We understand that the Division does not approve the surety and that American Stone's proposal has to be approved by the Board. However, under the law, the Division's recommendations are important to the determination, and we would like to work out an understanding with the Division that it could recommend a more flexible proposal than that set forth in the January 19,